



Indiana INVESTIGATES

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Did you know...

According to a study in the "2006 ACFE Report to the Nation on Occupational Fraud and Abuse":

--Billing schemes (procurement fraud) and non-cash theft were the most commonly reported forms of asset misappropriation in the government and public administration sector.

--Organizations that had anonymous fraud hotlines suffered a median loss of \$100,000, whereas organizations without hotlines had a median loss of \$200,000.

--External audits and internal audits were the two most common anti-fraud measures reported among organizations in the government and public administration sector.

2006 Future Meetings:

Thursday, September 21, 2006, 9:00am, Conf. Rm. 17
Auditor and Investigator Meeting
Thursday, December 7, 2006, 9:00am, location TBD
Winter Summit

Other Dates of Interest:

NW3C Economic Crime Summit, October 24-25, 2006
Providence, RI <http://www.summit.nw3c.org/>

*Does your agency have news or ideas to share? We would love to hear from you.
Please email Melissa Nees at mnees@ig.in.gov.*

MEETING SUMMARY

June 22, 2006

At our third quarterly meeting on June 22, 2006, the main presentation was given by Tad Stahl, Chief Information Security Officer for the Indiana Office of Technology (IOT). Tad spoke on the various measures IOT is researching and implementing to face the ongoing challenges and issues of the fast-paced world of information technology today.

In beginning their risk assessment, IOT focused on our areas: training and awareness, a security policy, identifying assets, and disaster recovery. After their first assessment, they discovered that there were many risks and weaknesses in the structure, and decided to start their overwhelming task of improvement by first focusing on the fundamentals.

Stahl next discussed our “changing culture” where technology is constantly

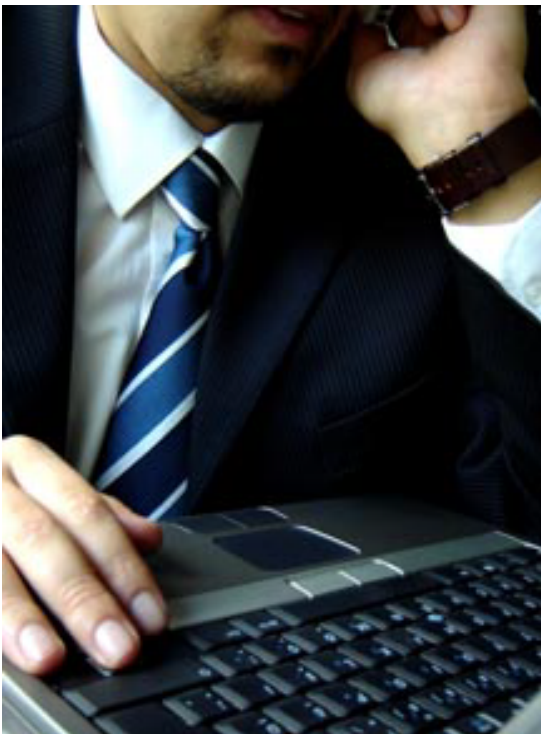
evolving, therefore increasing the need for awareness of the security risks involved with the use of technology. He also discussed the increasing trend for employees to take their work home with them, often putting sensitive office information at the risk of loss or theft. IOT plans to continue pursuing other remedies such as discipline, documentation and policy, and the use of spyware and internet blocking to further manage these risks in state agencies. On that same note, IOT is currently implementing its IRUA Agreement (Information Resource Use Agreement) and training throughout all state agencies, and it is also the first time one identical policy has existed for all state employees.

David Thomas discussed the OIG’s ongoing development of a new database for case logging, tracking, and reporting. This discussion will be continued at our next meeting when FSSA Auditor Deb Currey discusses their new program, ACL. We would love to have your input on any databases you may have in your agencies that could be a helpful resource to the group.

Future training sessions were briefly discussed. The National White Collar Crime Center (NW3C) offers training classes and support for economic and cyber crime problems for all federal, state, local, and international law enforcement entities. Membership and training are free.

The OIG is currently making plans for our Winter Summit. If you have any ideas on content and/or presentation you would like to share with us, please let us know.

We always like to receive input for future speakers, topics, and articles for this publication. Let us know about what your agency is doing.



**For more information on IOT:
visit <http://www.ai.org/iot/security/>**

**For information on NW3C:
<http://www.nw3c.org/index.cfm>**

INSPECT WHAT YOU EXPECT

How the Department of Correction is improving Indiana's prison system

by J. David Donahue, Commissioner,
Indiana Department of Correction

The Department of Correction provides a valuable public safety service to the citizens of Indiana. In short, the Department is responsible for insuring that criminal offenders convicted of serious crimes are not given an opportunity to commit additional offenses against their community during their period of incarceration, while at the same time trying to modify every offender's behavior so they will not re-offend after release and discharge. This service requires the dedicated effort of nearly 8,000 state employees and countless volunteers, working in high-risk jobs at 32 prison sites across the State of Indiana. Unfortunately, all too often the public views corrections based upon what is portrayed in the movies or on television, and concludes that all staff are knuckle-dragging guards who will compromise their professional ethics if the price is right. They may also believe that most offenders are beyond redemption and can never be changed. In fact, during the past 18 months or so, the Indiana Department of Correction has been working tirelessly to establish high standards of professionalism for its staff, pushing to instill best correctional practices at all facilities, and striving to maintain appropriate conditions of confinement at each prison. To help accomplish these goals, the Department is relying on its internal resources, as well as the assistance from external partners such as the Office of Inspector General. To help insure that the Department of Correction operates within the boundaries set out by laws, regulations, nationally accepted practices, rules of ethics, and its own policies and procedures, the Department utilizes a variety of specially trained staff.

First, the Department of Correction's Finance and Performance Division is charged with identifying better ways of doing business, and incorporating these more efficient and effective practices within Department operations. In addition to targeting best practices, this division includes a team of internal auditors who periodically visit and inspect each facility to insure compliance with expected conditions of confinement and levels of performance. The fiscal audits unit of the Division

devotes its time to reviewing how facilities expend tax dollars, and how local community corrections programs spend the funds provided by the Department. There is also a separate team of inspectors devoted to working with Indiana sheriffs to insure that all Indiana county jails operate within established standards. Finally, this Division utilizes a crew of subject matter experts who monitor the Department's large third-party contracts to ensure contractual compliance. These public/private partnerships include contracts for offender medical and dental services, offender food service, management of a new medium-security prison, and for a project designed to improve the physical condition and operational efficiency of four of Indiana's oldest prisons. The Department's contract monitors conduct routine on-site inspections, and investigate all complaints related to services provided by vendors.

The Department also has at least one, and sometimes as many as three internal affairs investigators at each large prison facility. They investigate complaints of staff and offender misbehavior. When the evidence collected demonstrates that a person violated a policy, regulation, or law, that person is subject to discipline. For staff, before discipline can be meted out a pre-deprivation meeting must be conducted. If the person conducting the pre-deprivation meeting determines that the employee engaged in misconduct, the employee may be subject to disciplinary measures ranging from a private reprimand to termination, depending on the severity of the misconduct and the employee's work history. Offenders are also afforded a hearing before substantial disciplinary measures may be imposed against them. This hearing is conducted before a Conduct Adjustment Board, which sits as the decision-making panel. When there is some amount of reliable evidence showing that an offender violated one or more of the prison rules set



Commissioner Donahue visits a state correctional facility.

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INSPECT WHAT YOU EXPECT, Continued

out in Department policy, the offender is subject to disciplinary sanctions, including reprimands, loss of privileges, confinement in disciplinary segregation, or loss of accumulated credit time.

To take the lead with criminal investigations, a state police detective has recently been detailed to the Department's Central Office. This detective devotes fulltime attention to investigating suspected criminal activity, preserving evidence, and, when warranted, encouraging swift prosecution of DOC cases.

To support ethical decision-making by all Department staff, an Ethics Officer has been assigned at each facility, as well as the Department's Central Office. These Ethics Officers are given supplemental training in the rules of ethics and related laws and policies, and act as advisers to facility and Department administrators. When ethical issues surface, or decision-makers simply need someone to act as a sounding board, Ethics Officers provided helpful guidance.

In addition to its internal resources, the Department also relies on its external partners. The Office of Inspector General has proven a valuable ally in serving as an objective body to investigate complaints, especially those too large for the facility to investigate on its own, or those that might involve multiple agencies. I believe the Department has developed a strong relationship with the Office of Inspector General, and its sister, the Indiana Ethics Commission, and that this close relationship assists in our ongoing efforts to hold accountable those who may cross the line of impermissible ethical conduct.

Other external partners who review Department operations, and facility conditions, include investigators and inspectors from the Indiana State Department of Health, State Fire Marshall, U.S. Department of Justice, the National Institute of Corrections, and the Indiana Department of Administration's Ombudsman Bureau. To help review certain new program initiatives, such as the nation's first prison based treatment unit devoted to treating methamphetamine addiction, the Department relies on the academic community, in this case, Indiana State University. Likewise, several forensic diversion pilot programs are being reviewed by Indiana University sponsored staff. The Department also invites the American Correctional Association to send teams of auditors to validate that Indiana's prisons meet the nationally recognized operational standards established by the pre-eminent correctional professional organization. The National Commission on Correctional Health Care has also inspected facilities to monitor compliance with nationally recognize prison health care standards.

As Commissioner of the Department, I have established high expectations for the Department of Correction. I want all rehabilitative programs to be supported by empirical evidence that they in fact work to improve an offender's opportunity to successfully reenter the community after serving their term of imprisonment. I want every aspect of corrections to embrace best practices, with the ultimate goal of making Indiana's Department of Correction the most effective and efficient provider of correctional services in the country. To this end, I strongly

encourage frequent inspection of all Department functions. I emphasize to all facility heads that they must "manage by walking around", so they can inspect what they (and I) expect. When conducting specific audits, investigations, or inspections, employees are encouraged to identify best practices which can be reproduced at other facilities, to improve Indiana's entire prison system, and serve as a model for other states to follow.



All photos courtesy of www.in.gov/indcorrection

FIRST STEPS

A look at FSSA's early childhood intervention program

by Mary Dickson, Investigator
FSSA/OGC/Compliance Division

The Indiana Family and Social Services Administration First Steps program provides early intervention services to families with children ages newborn to three years old. These children have developmental disabilities or are at-risk to have certain delays in the future. The program provides home-based assessments, support, and therapy services and the program is funded by Federal and State monies as well as family co-pays based upon income. A Provider, which can be either a company or an individual, contracts with the State to provide services to families through the First Steps program. Providers submit claims in the form of Service Authorization/Billing forms to the First Steps Central Reimbursement Office (CRO) which then reimburses the providers. The FSSA Office of General Counsel, Compliance Division and the FSSA Division of Contract Management, Audit Services Department, in conjunction with the First Step program's own ongoing compliance efforts, investigates allegations of theft and forgery committed by First Steps Providers.

The oversight for ensuring that services are delivered properly and that claims are for services that were actually provided is loosely structured. Contracts commit therapists to providing services according to a child/family's Individualized Family Service Plan (IFSP), which specifies the type of services to be provided, the intensity and frequency of the services, and the goals. A family chooses their therapist and if

home visits are not possible, the therapist can arrange to provide therapy sessions in the child's home-based or commercial daycare setting. Therapists are to complete documentation ("Face to Face form") at each therapy session and the parent or responsible caregiver is to sign it, but the provider submits a claim to the State without this documentation. The provider is required to keep this Face to Face form for five years and may be required to submit this documentation to First Steps if selected for audit.

When a First Steps claim is paid, an Explanation of Benefits (EOB) is issued to the child's parent which indicates the dates of service billed by the provider, regardless of whether the parent is paying any portion of the service. As part of the First Steps orientation, a Service Coordinator (under contract to First Steps) explains to the parent that they will receive the EOBs in the mail and that they should verify the service dates. If an incorrect

payment to the provider is noted, the parent is asked to contact First Steps.

Payment is refused if the state database shows a claim has been paid already, or if the activity being billed for was not approved. However, if a dishonest provider bills for services that were not provided, the claims may be paid. This may go undetected unless that provider is selected for audit, or unless a parent or other knowledgeable person reports an EOB discrepancy to First Steps. Most often, a service session should consist of an hour-long face to face therapy session between the therapist and the child and these visits are often to be held once a week for a prescribed number of months. Allowable time billable as

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FIRST STEPS, Continued

therapy may not include travel time to and from a child's location, time spent making work-related phone calls, or time spent doing paperwork between therapy sessions.

When a developmentally challenged child qualifies for the First Steps program, he or she has a specific window of opportunity to receive focused and concentrated attention on their specific developmental needs via the First Steps program. This window closes on the child's third birthday. In several cases recently investigated, therapists have provided parents with enough excuses, apologies, and rescheduled appointment times that some children missed out on months and months of therapy before their parents requested a new provider. In other cases, children turned three years old and "aged out" of the program. Some children received no sessions at all, or short and infrequent therapy sessions with insignificant effect. Meanwhile, these dishonest providers submitted claims to the State and were paid for numerous therapy sessions they did not provide. During our investigations, these providers have made excuses for missing documentation, made up documentation, forged the parent/caregiver signature, changed details in order to make their invalid visit times and dates plausible, and attempted to intimidate and interfere with our witnesses (parents.).

Since these crimes involve a significant time period, an assortment of locations, and a mix of legitimate and fraudulent claims, our method of operation is to utilize database technology to analyze the claims and payments, and to make the presentation comprehensible to the prosecutor. This methodology enables the investigator to show, for

instance, when the service provider has claimed to be in two or more places at the same time, or where the service provider filed claims "back to back" at different locations, with no allowance for travel time. It also summarizes those cases where forgeries resulted in a dollar loss to the program.

The FSSA Office of General Counsel and FSSA Audit, and FSSA First Steps work closely together to detect and prosecute First Steps fraud. At the present time, several cases are being prosecuted, and two additional cases have been referred for prosecution. In 2005, the Indiana Inspector General's Office referred a First Steps provider who was successfully prosecuted in Marion county.

Based on comments our investigators have received from parents, it is clear that the vast majority of First Step providers are honest and ethical therapists. However, it is equally clear that there must be no tolerance for provider fraud in this important program for children in need.



FAST FORENSIC TRIAGE

NW3C, Purdue, and Indiana State Police conduct first-of-its-kind training

by Tim Wedge

NW3C/Purdue University Program Support Specialist

In July of 2004, a partnership was formed between the National White Collar Crime Center (NW3C) and Purdue University. Collaborative efforts since then have enriched the course curriculum at both NW3C and Purdue University, and provided valuable training to law enforcement and regulatory personnel throughout the state of Indiana.

On October 27th and 28th, NW3C, Purdue University, and the Indiana State Police conducted the first two-day Fast Forensic Triage course of instruction. This class follows in the footsteps of earlier courses developed and offered by NW3C, Purdue, and Indiana State Police partnership, including Introduction to Hardware Write Blockers and Preview Tools and Introduction to E-Mail Forensics, which have trained more than 130 officers. The material for the Fast Forensic Triage course was developed by Purdue Department of Computer and Information Technology (CIT) faculty and NW3C staff, with the valuable assistance and insight of Steve DeBrotta from the U.S. Attorney General's Office, who has pioneered many of the concepts taught in the course.

The "Fast Forensic Triage" concept is intended to complement, rather than replace the "traditional" approach to cyberforensics. In a "traditional" computer crime case, a suspect's computer is seized, and a forensic image of any attached storage media is created under controlled, forensically sound conditions. The image is then processed at a local, state or regional lab. Frequently, the examiner has no first hand knowledge of the case, and must rely primarily on whatever written direction is provided by the case agent. Many forensic facilities have a computer crimes case backlog of six months to a year, or more.

While regimented, precisely controlled methodologies are necessary, the inherent delay in results has several serious drawbacks. First, for some data, there is only a short period of time during which the information has any evidentiary

value. For example, an IP address, which might be traced to a third party, may be useless information within days or hours because the associated Internet Service Provider (ISP) only retains the records that connects that IP address to a user for a short period of time. Also, co-conspirators or associates who come to light during the examination of the suspect's media are likely to become aware of the seizure, and have weeks or months of opportunity to hide their tracks, and alter or destroy evidence in their possession.



Left: Major Larry Turner, Commander of the Indiana State Police Division of Criminal Investigation; Middle: Martin C. Jischke, President, Purdue University; Right: Don Brackman, Director, National White Collar Crime Center (NW3C)

The "Fast Forensic Triage" concept implements a few basic principles that address those problems. First it is immediate and, as the name implies, fast. The examination occurs on site, typically while the suspect is being questioned. Using the "triage" aspect of the approach, investigators and examiners work together beforehand to explicitly target only those digital artifacts that are (a) quickly recoverable, (b) time-sensitive, and (c) relevant to the investigation. This provides timely, actionable information to the investigating officer which may provide valuable insights and revelations while the interview is still in progress. Just as important is the fact that probable cause may be established and warrants may be served on third parties implicated by evidence recovered during this process quickly before it is known that the "original" suspect is under investigation.

Widespread implementation of the skills and concepts taught in this course will have profound benefits for law enforcement and homeland security personnel.

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